The future of telecommunications for Nova Scotians can best be expressed in one word – growth. 1972 has been a good year, but rising levels of telephone installations and long distance calling mean your Company may well have to double its investment in telephone plant and equipment in the next five years. This is almost like building a second telecommunications company – just to keep up with the communications needs of our customers. To show how this growth is happening . . .

84

TELECOMMUNICATIONS FOR NOVA SCOTIANS

The ANNUAL REPORT of MARITIME TELEGRAPH & TELEPHONE COMPANY LTD for 1972

THE 1972 ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Maritime Telegraph & Telephone Company Limited

Incorporated under the laws of the Province of Nova Scotia

STOCK TRANSFER OFFICES

Maritime Telegraph and Telephone Company, Limited, 1520 Hollis Street, Halifax, Nova Scotia
(common shares, 7% preferred shares and 7.10% preferred shares)

Canada Permanent Trust Company, 600 Dorchester Blvd. West, Montreal 101, Quebec
(common shares and 7.10% preferred shares)

Canada Permanent Trust Company, 1901 Yonge Street, Toronto 1, Ontario
(common shares and 7.10% preferred shares)

Canada Permanent Trust Company, 315 Eighth Avenue, S.W., Calgary, Alberta
(7.10% preferred shares)

Canada Permanent Trust Company, 1778 Scarth Street, Regina, Saskatchewan
(7.10% preferred shares)

Canada Permanent Trust Company, 455 Granville Street, Vancouver, British Columbia
(7.10% preferred shares)

Canada Permanent Trust Company, 433 Portage Avenue, Winnipeg, Manitoba
(7.10% preferred shares)

STOCK REGISTRAR

The Halifax, Montreal and Toronto offices of Canada Permanent Trust Company are registrars of common shares of the capital stock of the Company.

The Halifax, Montreal, Toronto, Calgary, Regina, Vancouver and Winnipeg offices of Canada Permanent Trust Company are registrars of 7.10% preferred shares of the capital stock of the Company.

COMMON SHARES AND 7.10% PREFERRED SHARES LISTED

Montreal Stock Exchange
Toronto Stock Exchange

The annual general meeting of the shareholders of Maritime Telegraph and Telephone Company, Limited will be held at the Head Office of the Company, 1520 Hollis Street, Halifax, N.S., on Friday, the 30th day of March, 1973, at twelve o'clock noon.

MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED

**Head Office: 1520 Hollis Street, P.O. Box 880, Halifax, Nova Scotia, Canada,
Telephone (Area Code 902) 424-4541**

This 1972 Annual Report is a summary of the operations of the Company in its 63rd year of serving Nova Scotia. It is prepared for those who have invested in our Company, for those who are interested in the Company's performance and for our employees.

. . . this annual report provides a look at our financial year, and the results, in achievements and in dollars.

The statistics are impressive. Long distance calls rose 15 per cent, to 20 million. New telephones installed totalled nearly 26,000, a gain of almost 9 per cent.

Revenues increased by 13.6% while operating expenses increased at a faster rate of 16.1%. Rate of return on invested capital averaged 8.7% compared to 8.4% in 1971. After tax income was just over $8.13 million – up nearly $1 million from 1971.

During the year, average per-share earnings rose from $1.83 to $1.94. Of this, $1.21 was paid as a dividend for the use of your money. The other $ .73 was reinvested on your behalf in your Company, in new phones, new central offices, new equipments and facilities of all kinds.

That's what we did with the profit of $8.13 million. But this reinvestment of some of your money, plus other funds generated internally and used for expansion, growth and replacement represent only a part of the capital requirements of the Company.

The balance required must be raised through the sale of stocks and bonds on the market where a company must be able to show financial strength in order to compete successfully for the investors' dollars. This is one of several challenges for 1973 and beyond which are dealt with in more detail in this Annual Report.

A. Gordon Archibald

A. Gordon Archibald
President


mobilia


bellboy

There were 13 Special Days in '72...

. . . and one by one each highlighted the campaign to provide improved services, including dial phones, to the subscribers in 13 different exchange areas.

Sundays were chosen for dial conversions themselves because they're quiet days on the network, and dialing routes and changes can be co-ordinated with hundreds of telephone companies in North America.

But these Sundays heralded other changes, too. In each converted area, there came a need for a host of upgraded phone services.

In nearly all of these communities, the natural growth of social and business life meant larger areas of no mileage charges. Hence a reduction in monthly phone bills that stimulated a further demand for more phones, including extensions.

For 24 areas, adjacent towns and villages were linked in local calling areas, eliminating long distance charges. Network use grew accordingly, taking up some of the capacity we'd built into it.

For our customers in three of these areas, dial service also meant modern direct-distance dialing – and extra long distance calls thus added to our revenues.

Finally, service responsibilities of seven independent connecting telephone companies in these areas were assumed by us. And thus we moved closer to the overall goal of reducing average party-line sharing to six per line or fewer.

But this modernization program accounted for only a part of our progress in 1972.

Growing with Nova Scotia

During 1972, we forecast a highly optimistic year of growth for our entire network, one that would break all records. And it did – by a considerable margin.

In 1971 we had grown by 18,609 phones through all of Nova Scotia as better incomes, greater mobility and the elimination of certain installation charges played their part.

That momentum propelled us further in 1972. Our ranks grew, our work load increased. By year end, we had worked some 152,000 orders – "in's", "out's", changes and upgrades. Net result was a record gain of 25,885, one new phone for each 6 orders worked.

Looked at over 10 years, the growth figures bear out what's popularly called the "communications explosion".

A decade ago, only 73 per cent of Nova Scotia families had telephone service; today 91.1 per cent do. And the rate is still growing.

The national average of phones per 100 people is 46.8; a decade ago in Nova Scotia it was 26.2, and now it is 41.1.

Quality has increased as well as quantity – of our 192,852 residence services, 78 per cent are single-line. Ten years ago it was 64.9 per cent. In the same period, the percentage of extension phones in homes rose from 13.1 to 23.2.

Overall, business and residence phones now total 323,762, up from 187,536 ten years ago.

What about long distance?

As a rough rule-of-thumb, every dollar of telephone set revenues is balanced by another dollar in long distance. This year was no exception.

While our network handled nearly three-quarters of a billion calls of all kinds, long-distance calling itself went up 15 per cent. The 1972 total of 20 million was more than double that of ten years ago.

Partly this was because 94.9 per cent of our telephones are now dial-operated, and 67.5 per cent of these are tied into the direct-distance dial network. Partly, also, because long distance charges are coming down.

Our very best

Growth takes other forms, too. We did our very best to meet many brand new customer wants. We introduced attractive Candlestick and Cradle decorator phones in various colours and designs.

We put these on show at our new Phone Store and Computer Communications Centre at Scotia Square in Halifax – where pay-as-you-use terminals offer businessmen access to time sharing and other computer programs.

We introduced Bellboy, a pocket-size personal signalling device that utilizes a mini-computer to locate people on the move; a new switchboard console that can be run by a totally-blind person; and a modernized department store call-in system that distributes customer calls electronically.

In 1972, we put more substance behind our convictions about service than ever before.

top row *Canada's first dual braille console for business firm switchboards*

Container port security man's two-way walkie-talkie

far left *Department store electronic call distributor aids order taking*

centre *Stylish Contempra dial-in-hand phone is leading favorite in decorator sets*

bottom row *New-style home phones and businessmen's Computer Communications Centre at Scotia Square Phone Store*

Pocket paging Bellboy is popular new 1972 offering

One man "pilots" this monster tunnel machine...

. . . and MT&T telecommunications links him to the surface as it bores its way beneath Halifax's north end.

Named after St. Barbara, the patron saint of tunnel workers, the 67 ton device is controlled from a key-board console. Its pilot sits in a swivel chair, following laser beam directions – his goal a mile-and-a-half tunnel below sea level, part of the city's sewerage treatment program.

Our telecommunications followed many other interesting trails, too. In 1972 they helped in complex housekeeping giving "when and where" answers to overseas shipments. They supplied what one user calls a "tell me" service in matching engine orders with axle-ratios, road gradients and hauling loads for heavy transport.

For 23 radio, newspaper and TV stations around the province, telecommunications will soon provide a speeded-up government print-out service – from legislative activity to callback data on road and weather conditions.

Our belief

Our belief is that a customer should have telecommunications service where and when he wants it, barring the impossible. Your Company backed this belief with $27.9 million in 1972.

That was the bill for our capital construction program, $6.4 million more than for 1971. And in 1973 we expect it to total $40.5 million.

A major portion of the 1972 program – $15 million – was for expansion. This included the growth in telephones of 25,885, which meant disconnecting 63,115 telephones and connecting 89,000 new ones.

Another $12.9 million was required to replace and modernize a wide range of services. Included were many major expenditures, among them the 13 dial centres mentioned earlier.

One of these was Dartmouth's Woodlawn centre, $3.2 million by itself. This involved both the creation of a new dial prefix – 434 – and the costly job of swinging some 8,300 customer phones out of the adjacent Harbour switching centre.

Added up, construction expenditures in 1972 were equal to the expenditure of $1,078 for each of the nearly 26,000 telephones gained.

This sustained and growing demand, and with it increasing revenues, have indicated that we should alter our projections.

Thus, our five year program, including revisions for stronger growth trends, indicates an overall capital expenditure considerably higher than the $140 million we had forecast.

How much higher is difficult to predict – but we do know that in 1973 investment requirements will call for expenditures of more than $40 million, and a similar amount is predicted for 1974.

All-DDD, 100 per cent dial service and assumption of all remaining rural phone companies' services are our goals by the end of 1976, and even better rural-service improvements are in the program.

MT&T's trans-Canada Multicom II provides high-speed data transmission for food processing manufacturer

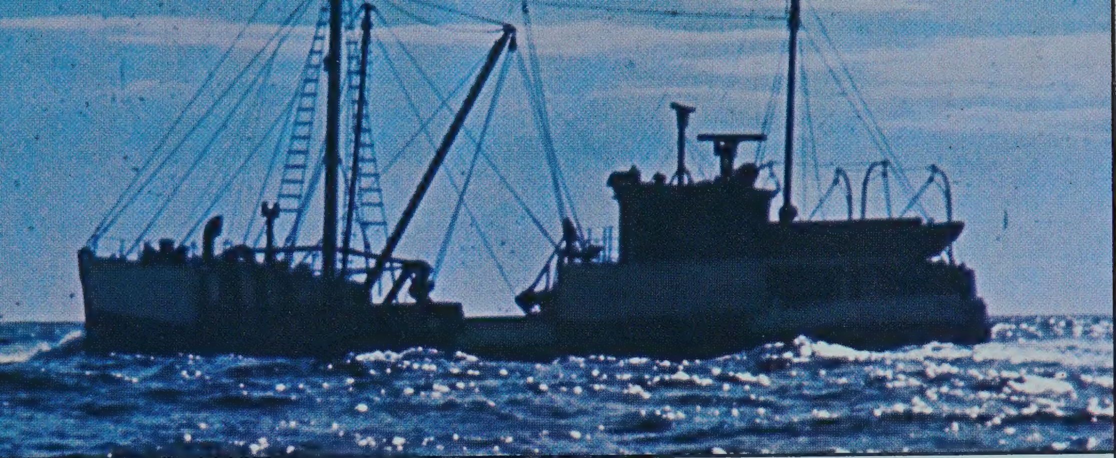
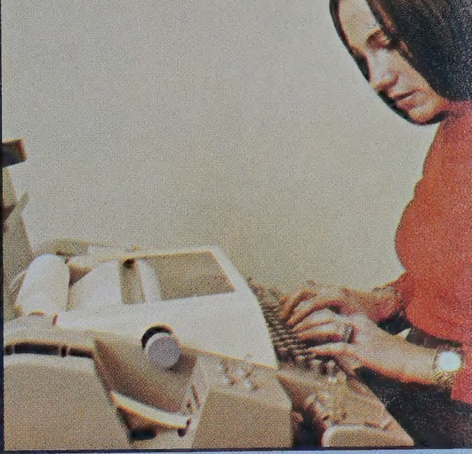
top row *MT&T's computer provides batch data processing for major fishery activitie*

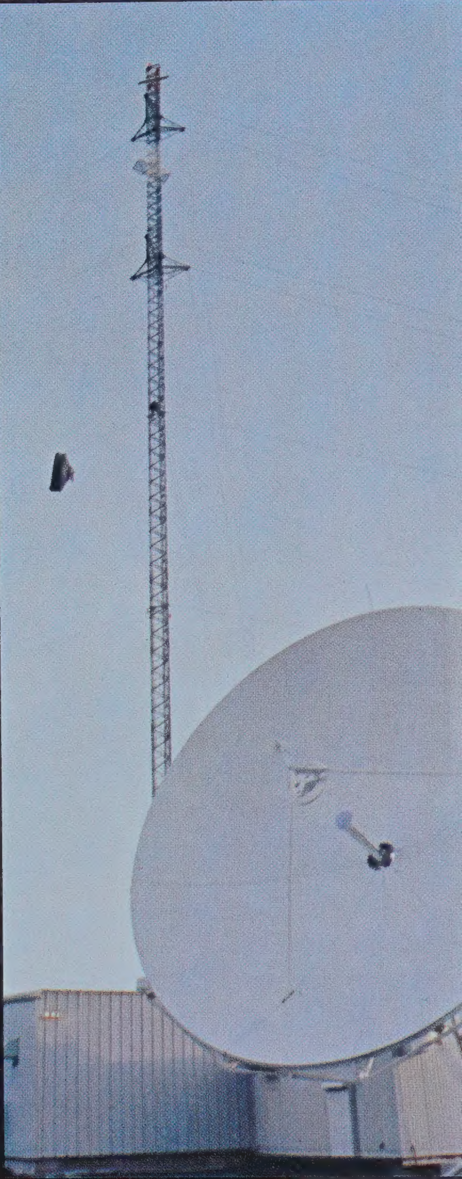
Part of 23-station private teletype network linking government information services an Nova Scotia News media

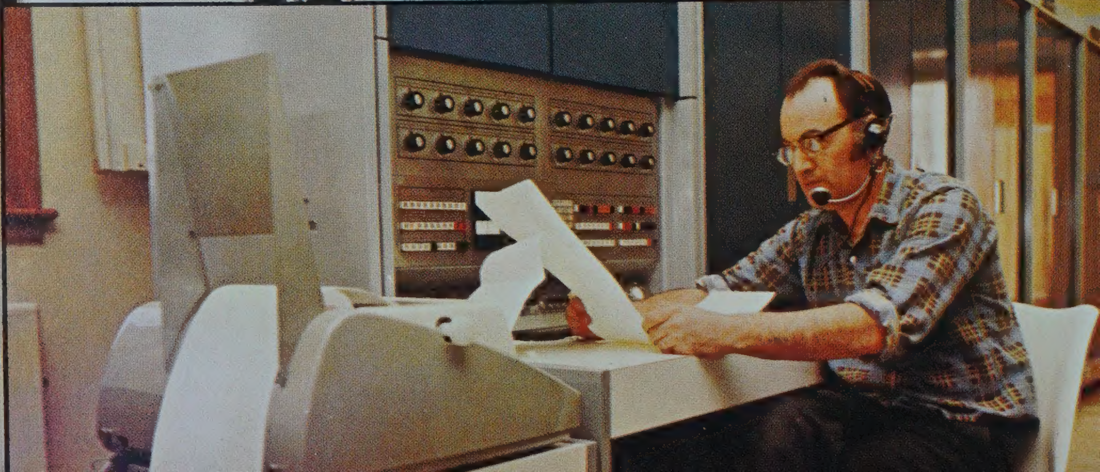
far right *MT&T-operated Anik satellite tracking station at Harrietsfield, near Halifax, scheduled t commence free world's first satellite broadcasting early in New Yea*

centre *Dubbed Barbara, this big boring machine is being lowered below sea level in the forme Africville area of Halifax, where new sewer tunnel will terminat*

bottom right *Facsimile transmission of written documents is provided over ordinary telephone lines*



Suburban housewives wear racing-striped jackets to beat the clock . . .

. . . and move more than 40,000 cars through Dartmouth's big autoport in 1972.

The jackets were the ladies' own idea, replete with automotive brand names. The autoport used MT&T's new Terminent Service for inventory control – and the housewives on the run to move the cars to park-storage areas.

For 1973 the ladies – and Autoport with its Terminent – figure on 80,000 cars, maybe more.

Productivity

For the Autoport and many other customers, as indeed for MT&T itself, productivity is the name of the game. Few if any industries in fact measure costs and results so comprehensively, and so thoroughly, as the telecommunications business.

With the growth in MT&T's services, building projects and province-wide network, MT&T's employee ranks grew to a year-end total of 2,877, compared to 2,649 at the start – an increase of 8.2%.

Of these, 1,407 were male employees and 1,470 female. Total salary and wages paid in 1972 were $20,969,000, an increase over 1971 of 29.7%. Benefit and welfare costs (about 13 per cent of the total) rose to $2,756,000. These included $1,604,000 added by the Company to the non-contributory pension fund; $463,000 for sickness, accident, group insurance and supplementary hospital insurance; $234,000 to the Canada Pension Plan; $271,000 to Old Age Security Tax; and $184,000 to Unemployment Insurance.

Training

Your Company provided on-the-job training of various kinds – from programmed courses for operators to seminars on computer information skills to management.

For many years, the Company has also supported and encouraged participation in after hours education. In 1972, 51 telephone people followed this lead in a variety of ways – enrolling in courses ranging from engineering and accounting to business administration – both directly and indirectly related to their careers.

Opportunity

As in the past, the telecommunications field offers satisfying and fulfilling careers for men and women. In 1972, your Company reinforced this invitation to Nova Scotians and reaffirmed its employment policies and objectives.

The result was a commitment to Affirmative Action in fair employment practices to clarify and emphasize policies to ensure fair treatment of employees and applicants without regard to race, creed, color, or sex.

Summing up

Mention was made earlier of communication charges coming down, while incomes rise. In some respects, the reductions are absolute – for example, your Company's role as a partner in the Trans-Canada Telephone System during 1972 in establishing the one-minute minimum long distance charge for inter-province calling across Canada.

Now an after midnight call to Vancouver from Sydney costs as little as 30 cents.

In real terms, too, the monthly cost for a telephone – business or residence – has never been lower. For the home phone, it is about two hours of a worker's average wage.

For Nova Scotians, telecommunications is for the most part the finest in the world today. And telephone men and women are striving to make it even better. It's a complex business – and that's part of the challenge and excitement.

The rest is in the anticipation of even greater advances to be made during the '70s in the ways man can communicate understanding.

For the Board of Directors

A. G. Archibald

Chairman and President

March 6, 1973

top row *Smiling is even easier with Venture, revolutionary new light-weight headset*

far left *Data Phone-to-computer helps track complex container shipping routes*

centre *Above, housewives hurry to pace vehicle shipments as autos, below, are off-loaded from ship holds at Dartmouth's Autoport*

bottom left *MT&T's TWX – teletypewriter exchange service – links Halifax to Detroit, prints out programs for truck component orders*

bottom right *Solid state electronic switching centre serves Shelburne with new dial convenience*

One of several multi-million-dollar oil exploration rigs, here shown being towed to sea out of Halifax Harbour, utilized MT&T telecommunications during construction

MT&T's North Street telecommunications centre in the background, Company craftsman is shown installing Cable-TV facilities to serve Halifax and Dartmouth homes

THE FINANCIAL PICTURE

In words

In 1972, earnings per average common share rose to $1.94 (return on Common Equity of 10.4%) from the previous year's $1.83 (return on Common Equity of 10.2%), an all time high. The return on Average Invested Capital rose to 8.7% from last year's 8.4%.

Total operating revenues for the year increased by 13.6% over 1971. Local service revenues increased by 9.1% and this was caused primarily by the record increase in telephones in service, 25,885, or 39.1%, over the previous year's increase of 18,609 telephones. The increase in toll service revenues of 18.5% over last year reflects the extraordinary use of toll facilities in that average daily toll messages during 1972 was 55,000 compared to 1971's 48,000.

Operating expenses for the year increased by 16.1%, the major reasons for which were higher depreciation and pension and benefit costs. Depreciation expense will of course continue to rise with the increased expenditures for the construction program. This program during 1972 was $27.9 million, compared to the previous year's $21.5 million. Also, during 1972 the Company made a refinement in its development of depreciation rates for plant in respect to its expected service life, and further information on this can be found in Note 11 attached to the financial statements. Pensions and benefits increased by some $500,000 over the previous year and was caused primarily by additional payments required to reduce an increased unfunded pension obligation which in turn was caused by wage and salary increases during the preceding year.

Municipal, social, and income taxes amounted to $8.3 million or $26 for every telephone in service.

Bond interest expense rose to $4.8 million from the previous year's $4.2 million, an increase of 14.8%. This was caused by the Company going to the money market for $12.0 million series "S" bonds at 8 5/8%, retiring $3.0 million series "F" bonds at 3% and $2.5 million series "H" bonds at 4 1/2%. This borrowing of money at rates higher than in the past has caused the cost of our borrowed debt capital to rise to 7.3%. Four years ago this figure stood at 5.1%. During the year, the Company also issued 900,000 shares of 7.10% cumulative, non-voting redeemable preferred shares at a par value of $10 per share. Present indications show that the Company will require approximately $18.0 million in external financing in 1973.

In brief

	1972	1971
Construction Program Expenditures (millions)	$ **27.9**	$ 21.5
Telephone Plant per Telephone, December 31	$ **702**	$ 687
Telephones in Service, December 31	**323,762**	297,877
Earnings per Common Share	$ **1.94**	$ 1.83
Dividends per Common Share	$ **1.21**	$ 1.20
Average Common Shares (thousands)	**3,907**	3,854
Return on Average Invested Capital	**8.7%**	8.4%
Return on Average Common Equity	**10.4%**	10.2%
Equity per Common Share, December 31	$ **18.84**	$ 18.19
Long-term Debt % Total Invested Capital, December 31	**46.9%**	50.0%
Salaries and Wages (millions)	$ **21.0**	$ 17.7
Employees, December 31	**2,877**	2,649

AUDITORS' REPORT

To the Shareholders of
Maritime Telegraph and Telephone Company, Limited:

We have examined the financial position statement of Maritime Telegraph and Telephone Company, Limited as at December 31, 1972, and the income statement, retained earnings statement and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1972, and the results of its operations and the source and application of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Halifax, Canada
February 7, 1972

Clarkson, Gordon & Co.
Chartered Accountants

(17) Charges requiring working capital –

	1972	1971
Operating expenses, interest and taxes	$47,571,000	$41,852,000
Less charges not requiring working capital – Depreciation	10,978,000	9,533,000
– Deferred income taxes	2,632,000	2,610,000
– Other	219,000	176,000
	13,829,000	12,319,000
	33,742,000	29,533,000
Add credits not producing working capital – Interest, pensions and expenses charged to construction	1,507,000	1,232,000
– Other	165,000	173,000
	$35,414,000	$30,938,000

(18) Construction program expenditures requiring working capital –

	1972	1971
Gross additions to plant	$27,416,000	$21,103,000
Cost of removing old plant	496,000	415,000
Construction program expenditures	27,912,000	21,518,000
Less charges not requiring working capital – Interest, pensions and expenses credited to income	1,507,000	1,232,000
– Salvage	1,432,000	926,000
– Other	134,000	110,000
	3,073,000	2,268,000
	$24,839,000	$19,250,000

(19) Commitments –

Leases:

(a) The Company leases a substantial number of circuits in the ordinary course of its business for which it pays annual rents of approximately $600,000. The most significant of these leases expires in 1977.

(b) The Company has contracted to lease computer equipment at an annual rental of approximately $270,000, the contract expiring in 1979.

(c) During the year the Company has signed several agreements with regard to the Telesat Communications Satellite, Anik I, with respect to circuit leases through the Trans Canada Telephone System. These agreements call for annual payments of approximately $100,000 and expire in 1977.

Unfunded Pension Benefit Obligation:

The latest actuarial valuation of the plan was made as at December 31, 1970 and established an unfunded pension benefit obligation of $3,531,000 at that time. An inter-valuation examination as at December 31, 1971 revealed that this unfunded amount had increased due to wage increases and additional pension benefits at a rate greater than the reduction being realized through payments being made against it. The unfunded liability is estimated to be $5,101,000 as at December 31, 1972, and is being funded by annual payments which are treated as costs in the current year, with the final payment to be made in December, 1995.

In statements

Maritime Telegraph & Telephone Company, Limited

FINANCIAL POSITION STATEMENT

As at December 31, 1972

(With Comparative Figures as at December 31, 1971)

ASSETS

	Thousands of dollars	
	1972	1971
	$	$
TELEPHONE PLANT		
Depreciable telephone plant in service, at cost	**220,126**	198,956
Other telephone plant, at cost (Note 1)	**7,240**	5,555
	227,366	204,511
Less accumulated depreciation	**59,465**	51,758
	167,901	152,753
INVESTMENTS		
Equity in net assets of subsidiaries (Note 2)	**3,042**	2,878
Short-term investments (Notes 3 and 7)	**2,500**	—
Other investments (Note 4)	**837**	710
	6,379	3,588
CURRENT ASSETS		
Cash	**115**	823
Accounts receivable	**8,259**	6,745
Income taxes receivable (Note 8)	—	1,915
Materials, at cost	**2,857**	1,538
Prepayments	**401**	374
	11,632	11,395
DEFERRED CHARGES		
Unamortized long-term debt expenses	**880**	691
Other deferred charges	**553**	400
	1,433	1,091
	187,345	168,827

LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY

Common stock (Note 5)
Premium on common stock (Note 6)
Retained earnings

Preferred stock (Note 5)

LONG-TERM DEBT (Note 7)

First mortgage bonds
Bank and other notes

CURRENT LIABILITIES

Accounts payable
Income taxes accrued (Note 8)
Interest accrued
Dividends payable
Other current liabilities

DEFERRED CREDITS

Income taxes (Note 8)
Other deferred credits (Note 9)

COMMITMENTS (Note 19)

On behalf of the board: A. G. Archibald, Director — D. W. Myers, Director

Thousands of dollars	
1972	1971
$	$
39,319	38,823
14,609	14,249
20,113	17,532
74,041	70,604
10,500	1,500
84,541	72,104
74,500	68,000
200	4,150
74,700	72,150
3,951	3,007
351	–
1,101	771
1,415	1,191
295	252
7,113	5,221
20,496	18,912
495	440
20,991	19,352
187,345	168,827

INCOME STATEMENT

For the Year Ended December 31, 1972

(With Comparative Figures for the Year Ended December 31, 1971)

	Thousands of dollars 1972	1971
	$	$
OPERATING REVENUES		
Local service	26,841	24,606
Long distance service	26,525	22,390
Other (Note 10)	1,719	1,511
Uncollectible	*193*	*182*
	54,892	48,325
OPERATING EXPENSES		
Maintenance	8,383	7,272
Depreciation (Note 11)	10,978	9,533
Traffic (Note 12)	5,177	4,495
Commercial and marketing	2,750	2,315
Administrative (Note 13)	3,637	3,16[illegible]
Other (Note 14)	3,248	2,5[illegible]
Taxes other than income taxes	1,672	1,514
	35,845	30,8[illegible]
	19,047	17,448
Other income (Note 15)	810	6[illegible]
INCOME BEFORE INTEREST AND INCOME TAXES	19,857	18,1[illegible]
INTEREST		
Bond interest	4,844	4,2[illegible]
Other (Note 16)	232	35[illegible]
	5,076	4,5[illegible]
	14,781	13,54[illegible]
Income taxes (Note 8)	6,650	6,401
NET INCOME FOR YEAR	8,131	7,148
Earnings per common share	1.94	1.83

RETAINED EARNINGS STATEMENT

For the Year Ended December 31, 1972

(With Comparative Figures for the Year Ended December 31, 1971)

	Thousands of dollars 1972	1971
	$	$
RETAINED EARNINGS, beginning of year	17,532	15,113
ADDITIONS:		
Net income for year	8,131	7,148
DEDUCTIONS:		
Preferred dividends	569	105
Common dividends	4,738	4,624
Commission and expenses of issuing preferred stock	243	–
	5,550	4,729
RETAINED EARNINGS, end of year	20,113	17,532

S. E. Jefferson Comptroller

SOURCE AND APPLICATION OF WORKING CAPITAL

For the Year Ended December 31, 1972

(With Comparative Figures for the Year Ended December 31, 1971)

	Thousands of dollars	
	1972	1971
	$	$
SOURCE:		
Internal –		
Operating revenues and other income	55,702	49,000
Less charges requiring working capital (Note 17)	35,414	30,938
From operations	20,288	18,062
Deferred income taxes, prior years (Note 8)	–	1,505
Total internal	20,288	19,567
External –		
First mortgage bonds	12,000	12,000
7.10% preferred stock	9,000	–
Bank and other notes	–	2,800
Employees' stock savings plan (Note 9)	913	797
Total external	21,913	15,597
Total source	42,201	35,164
APPLICATION:		
Construction program expenditures requiring working capital (Note 18)	24,839	19,250
Redemption of first mortgage bonds	5,500	6,000
Repayment of bank and other notes	3,950	1,800
Dividends	5,307	4,729
Investments (Notes 3 and 4)	2,623	470
Deferred income taxes, prior years (Note 8)	1,047	–
Other	590	2
Total application	43,856	32,251
INCREASE (DECREASE) IN WORKING CAPITAL	(1,655)	2,913
WORKING CAPITAL, beginning of year	6,173	3,260
WORKING CAPITAL, end of year	4,518	6,173

The accompanying notes are an integral part of these statements.

NOTES

(1) **Other telephone plant** – land and telephone plant under construction.

(2) **Equity in net assets of subsidiaries** – principally the Island Telephone Company, Limited – represented by common shares (52.8%). The investment of $3,036,000 represents the Company's equity in the net assets of the subsidiary. The Company's portion of the subsidiary's net income for the year, (of which $173,000 has been received in the form of dividends) is included in other income, in the amount of $341,000 (1971, $318,000).

(3) **Short-term investments** – short-term notes maturing in January, 1973.

(4) **Other investments** – principally in Telesat Canada. Additional shares were purchased in 1972 for $123,000 making a total investment of $738,000.

(5) **Capital stock –**

Authorized:

By Act of Incorporation – $10
shares of the par value of $10 eac

By Shareholders – $50,000,000
par value of $10 each.

Issued:

Common – beginning of year
– issued during year
for cash (1972, $856
1971, $729,000)

– end of year

Preferred – 7% cumulative, votin
non-redeemable
7.10% cumulative, n
voting, redeemable*

Total Issued

*During the year, 900,000 shares we
non-voting unless 6 quarterly divide
the Company must make all reasona
the open market 22,500 Preferre
non-cumulative basis, at a price not
accrued and unpaid dividends and
were offered by the Shareholders
Company.

(6) **Premium on common stock –**

Beginning of year
On shares issued during year

End of year

(7) **Long-term debt –**

(a) First Mortgage bonds –

Series	Rate	Mat
I	3¾%	May
E	3%	July
O	8¼%	June
J	5¼%	Sept.
K	5½%	Nov.
L	5½%	June
M	5½%	May
N	6½%	March
Q	9¼%	June
R	8⅜%	May
S	8⅝%	Aug.

*Bondholders have the right from
1975, to exchange for 8¼% Series
15, 1990.

**Bondholders have the right to req
amount at par on June 1, 1975.

(b) Bank and other notes –
Bank demand loan at prime ra

In order to permit the company to
stock most advantageously the co
line of credit and from time to tim
Such short-term credit is replaced

,000 divided into 10,000,000

d into 5,000,000 shares of the

	1972 Shares	1971 Shares
	3,882,292	3,824,854
	49,626	57,438
	3,931,918	3,882,292
	150,000	150,000
	900,000	–
	1,050,000	150,000
	4,981,918	4,032,292

ed at par for cash. These shares are e in arrears. Commencing in 1972, orts to purchase for cancellation in res in each calendar year on a ing $10.00 per share together with purchase. During 1972, no shares urchase and cancellation by the

	1972	1971
	14,249,000	$14,095,000
	360,000	154,000
	14,609,000	$14,249,000

	Principal
975	$ 3,000,000
976	2,000,000
977*	6,000,000
978	3,500,000
980	4,000,000
983	5,000,000
985	7,000,000
987	10,000,000
990**	10,000,000
991	12,000,000
994	12,000,000
	$74,500,000

nber 15, 1970 to December 15, t Mortgage Bonds to mature June

Company to prepay the principal

$ 200,000

s new issues of debt or capital maintains a substantial bank short-term promissory notes. normal course by longer term

financing and currently maturing debt issues are likewise normally refinanced. For this reason the company does not classify these items as current liabilities.

Likewise, the company does not classify as current assets excess funds received through financing and temporarily invested in short-term investments.

(8) **Income taxes** – Deferred tax accounting has been followed with respect to all timing differences. As noted last year, the Company made a change in the method of calculating income for tax purposes commencing with its 1969 taxation year. The Department of National Revenue has issued a Notice of Reassessment for 1969 and 1970 disagreeing with this new method and the company has filed a formal notice of objection thereto. This change has no effect on the net income of the company.

(9) **Other deferred credits** – principally employees' stock savings plan –

	1972	1971
Beginning of year	$ 422,000	$ 354,000
Add contributions, including interest	913,000	797,000
	1,335,000	1,151,000
Less common stock issued to employees under the Plan	856,000	729,000
End of year	$ 479,000	$ 422,000

Generally, shares are issued on the completion of 12 months of contribution at a price approved by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. Effective July 1, 1970, the price is equivalent to 80% of the average market price of the stock.

(10) **Other operating revenues** – principally from directory advertising and circuit rentals.

(11) **Depreciation** – charged using component depreciation rates for classes of plant as approved from time to time by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. These rates provide for depreciating the assets over their estimated useful service lives and resulted in a composite rate of 5.4% for 1972.

Depreciation of plant acquired prior to 1971 has continued to be provided by the straight-line method, applied to each class of plant grouped by year of placing in service, at rates based on the average service life of each such annual group. Additions to telephone plant in 1971 also were depreciated using this basis in 1971 but, effective January 1, 1972, provision for depreciation of plant acquired in 1971 and thereafter has been refined by developing straight-line rates within each annual group for sub-groups of units which are expected to have equal service lives.

This refinement can be expected to result in higher depreciation charges during the early years for plant acquired after 1970 as it provides more accurately for early retirements and thereby the consumption of service life. The result of this refinement has been to decrease net income for the year 1972 by approximately $95,000 or $.02 per common share.

(12) **Traffic** – expenses, principally wages, incurred in handling telephone calls.

(13) **Administrative** – executive, accounting, public relations, engineering, and business information systems expenses.

(14) **Other operating expenses** – principally rents, service pensions, and employee benefits.

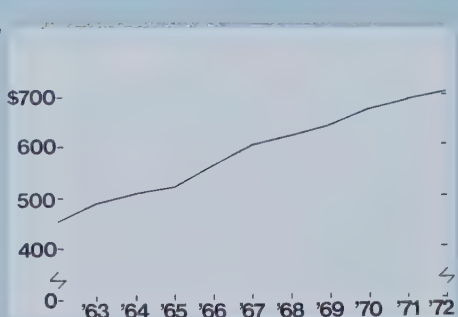
(15) **Other income** – includes Company portion of subsidiaries' income of $337,000 (1971, $318,000), interest charged construction $379,000 (1971, $376,000) less other income charges.

(16) **Other interest** – includes amortization of long-term debt expenses amounting to $87,000 (1971, $77,000).

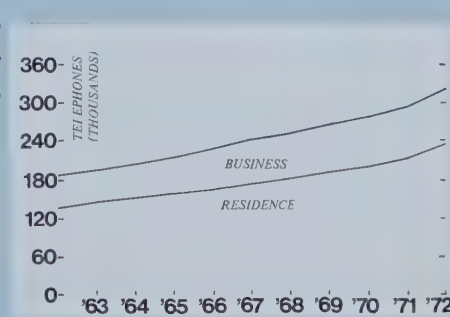
THE YEARS IN REVIEW

	1972	1971	1970	1969	1968	1967	1966
Financial Position at December 31 (in thousands)							
Telephone plant	**$227,366**	$204,511	$188,899	$172,101	$159,475	$146,281	$128,492
Accumulated depreciation	**59,465**	51,758	46,892	42,767	38,490	36,269	33,100
Investments	**6,379**	3,588	3,548	2,772	2,722	5,811	2,612
Current assets	**11,632**	11,395	9,048	9,455	8,238	8,914	5,778
Deferred charges	**1,433**	1,091	953	705	519	1,034	764
Shareholders' equity	**84,541**	72,104	68,957	65,942	64,295	62,726	53,650
long-term debt	**74,700**	72,150	65,650	55,650	51,000	46,000	36,200
Current liabilities	**7,113**	5,221	5,788	6,795	4,584	5,867	4,408
Deferred credits	**20,991**	19,352	15,162	13,879	12,585	11,178	10,288
Income (in thousands)							
Operating revenues	**$ 54,892**	$ 48,325	$ 43,987	$ 38,390	$ 35,207	$ 32,333	$ 28,571
Operating expenses	**35,845**	30,877	27,674	25,231	22,485	20,720	18,639
Other income	**810**	675	567	314	435	402	302
Interest	**5,076**	4,574	3,758	2,958	2,538	2,262	1,759
Income taxes	**6,650**	6,401	6,514	5,282	5,295	4,774	4,107
Net income for year	**8,131**	7,148	6,607	5,233	5,325	4,980	4,368
Statistics – at December 31							
Telephone plant per telephone	**$ 702**	$ 687	$ 671	$ 639	$ 622	$ 601	$ 565
Equity per common share	**$ 18.84**	$ 18.19	$ 17.64	$ 17.10	$ 16.88	$ 16.66	$ 16.37
Embedded debt cost	**7.3%**	6.8%	6.1%	5.4%	5.1%	5.1%	4.6%
Long-term debt % total invested capital	**46.9%**	50.0%	48.8%	45.8%	44.2%	42.3%	40.3%
Employees	**2,877**	2,649	2,529	2,469	2,474	2,632	2,531
Telephones in service	**323,762**	297,877	279,268	269,211	256,388	243,502	227,270
Dial telephones	**94.9%**	92.1%	90.8%	90.5%	90.1%	87.9%	87.9%
Statistics – for year							
Earnings per common share	**$ 1.94**	$ 1.83	$ 1.71	$ 1.37	$ 1.41	$ 1.51	$ 1.43
Dividends per common share	**$ 1.21**	$ 1.20	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ .99
Times bond interest earned – before taxes	**4.1**	4.3	5.1	5.2	5.7	5.5	6.2
Times bond interest earned – after taxes	**2.7**	2.8	3.1	3.2	3.4	3.3	3.7
Return on average invested capital	**8.7%**	8.4%	8.0%	6.9%	7.0%	7.3%	7.2%
Return on rate base	**7.6%**	7.4%	7.3%	6.2%	6.2%	6.4%	6.2%
Return on average common equity	**10.4%**	10.2%	9.9%	8.1%	8.4%	9.1%	9.0%
Construction prog. expenditures (in thousands)	**$ 27,912**	$ 21,518	$ 22,606	$ 17,748	$ 19,166	$ 21,851	$ 17,956
Average common shares (in thousands)	**3,907**	3,854	3,796	3,743	3,698	3,232	2,976
Salaries and wages (in thousands)	**$ 20,968**	$ 17,724	$ 15,684	$ 14,001	$ 12,851	$ 11,852	$ 10,430
Average daily calls (in thousands)	**1,799**	1,741	1,672	1,471	1,393	1,308	1,236
Average daily toll messages (in thousands)	**55**	48	42	38	36	33	31

TELEPHONE PLANT PER TELEPHONE at December 31st.

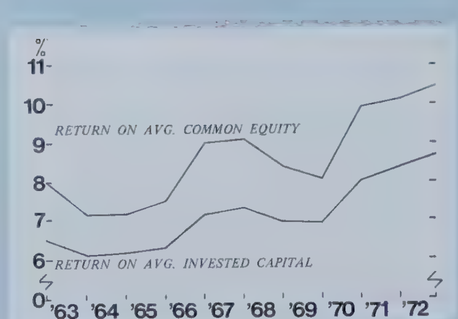


TELEPHONES IN SERVICE (at December 31st.)

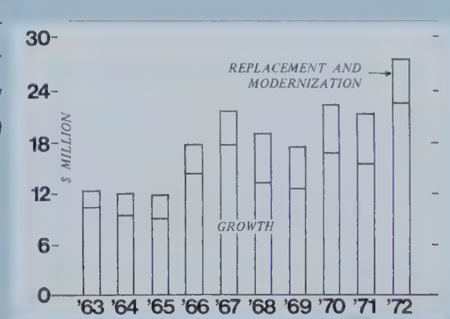


EARNINGS & DIVIDENDS PER AVERAGE COMMON SHARE

RATE OF RETURN ON AVG. COMMON EQUITY AND AVG. INVESTED CAPITAL

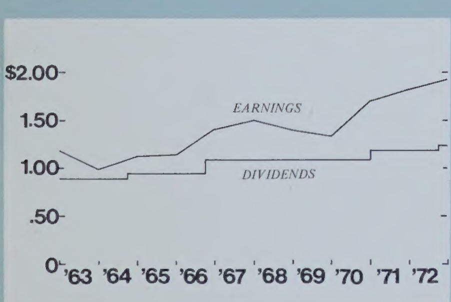


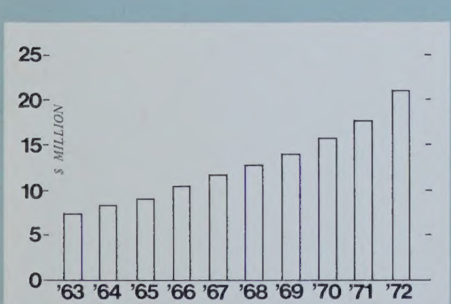
CONSTRUCTION PROGRAM EXPENDITURES (in millions)



SALARIES AND WAGES (in millions)

1965	1964	1963
$114,132	$105,137	$ 95,820
30,245	27,363	24,893
3,611	1,842	2,416
6,548	5,180	4,777
433	283	245
45,115	43,689	39,010
36,000	29,100	29,000
3,956	3,435	2,759
8,830	8,276	7,017
$ 24,288	$ 22,127	$ 19,982
16,480	14,910	13,524
243	162	219
1,593	1,328	1,187
3,157	2,952	2,663
3,300	3,098	2,826
$ 522	$ 509	$ 485
$ 15.76	$ 15.56	$ 15.29
4.6%	4.4%	4.4%
44.5%	40.0%	42.6%
2,340	2,168	2,086
218,533	206,752	195,986
87.1%	87.3%	86.9%
$ 1.17	$ 1.13	$ 1.11
$ .95	$ .92	$ .90
5.3	5.8	5.9
3.2	3.5	3.5
6.3%	6.2%	6.1%
5.5%	5.4%	5.3%
7.5%	7.2%	7.2%
$ 11,959	$ 12,006	$ 11,465
2,739	2,636	2,443
$ 9,063	$ 8,349	$ 7,466
1,150	1,086	1,028
30	27	25





DIRECTORS

GARNET L. ANGUS
President
Angus Fuel and Transportation, Ltd.
Amherst

***A. GORDON ARCHIBALD**
Chairman of the Board & President
Maritime Telegraph & Telephone Co., Ltd.
Halifax

***†DONALD F. ARCHIBALD**
President
Archibald Farms Limited
Port Williams

MELBOURNE R. CHAPPELL
Vice-President
Island Construction Company, Limited
Sydney

***C. L. GOSSE, M.D.**
Professor & Head
Departments of Urology
Victoria General Hospital
Camp Hill Hospital
Halifax

SEYMOUR W. KENNEY
Company Director
Yarmouth

***ALEXANDER G. LESTER**
Executive Vice-Pres. (retired)
Bell Canada
Montreal
Retired March 15

***W. F. LIGHT**
Executive Vice-Pres. (Operations)
Bell Canada
Montreal
Elected March 15

***A. MURRAY MacKAY**
Maritime Telegraph & Telephone Co., Ltd.
Halifax
Retired May 16

CLARENCE J. MORROW
Director
National Sea Products Ltd.
Lunenburg

***†DONALD W. MYERS**
Executive Vice-President
Maritime Telegraph & Telephone Co., Ltd.
Halifax

***†GEORGE C. PIERCEY**
Partner
Daley, Black, Moreira and Piercey
Halifax

***PERCY J. SMITH**
Vice-President
Great Eastern Corporation, Ltd.
Halifax

FRANK H. SOBEY
Chairman of the Board
Sobey Stores Limited
Stellarton

***CHARLES E. STANFIELD**
Vice-President
Stanfield's Limited
Truro

†GEORGE C. WALLACE
Vice-President-Finance
Bell Canada
Montreal

***Member of Executive Committee**
†Member of Audit Committee

OFFICERS

A. Gordon Archibald	Chairman of the Board and President
Donald W. Myers	Executive Vice-President
W. Struan Robertson	Vice-President — Operations
Alexander H. MacKinnon	Vice-President — Planning
Frederick M. Waller	Secretary and Executive Assistant
Edward J. Hicks	Treasurer and Assistant Secretary
Stephen E. Jefferson	Comptroller

OPERATIONS

G. Donald Robb	General Plant Manager
H. C. Kingsbury	Chief Engineer
D. Nelson Braid	General Traffic Manager
Murray W. Wallace	General Commercial Manager
John R. Gale	General Information Manager
Harry W. Dacey	General Personnel Manager
Ivan E. H. Duvar	Business Information Systems Manager

Maritime Telegraph and Telephone Company Limited

part of

Trans-Canada Telephone System

Printed in Nova Scot

file

MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED

Six Month Report

TO JUNE 30th 1972

MARITIME TEL&TEL

TO THE SHAREHOLDERS:

For the first six months of this year, net income was $3,903,547, compared to $3,421,864 a year ago; earnings per average common share for the same comparative periods were $.96 and $.88 respectively.

The Company has continued to experience strong gains both in long distance calling (up 16%) and in installation of new telephones (more than double that of a year ago). On the average invested capital for the period, rate of return was 8.59% (compared to 8.22%), and return on average common equity was 10.47% (compared to 9.91%).

Capital expenditures for telephone installations and related items have resulted in a revision of estimated Construction Program Expenditures for the year, now forecasted at $27,000,000. Earlier this month the sale of $12,000,000 of 8⅝% Series S 25-year First Mortgage Bonds was successfully completed, priced at 99.50 to yield approximately 8.68%. Proceeds will be used to retire the $5,500,000 in Series F and H bonds which matured early in July, the balance to meet capital expenditures this year.

SIX MONTH GROWTH
(compared to same period 1971)

Long distance calls
9.5 million, **up 16%**
Salaries and wages
$9.8 million, **up 18%**
Telephone gain
11,824 **up 112%**
Telephones in service June 30
309,701 **up 9%**
Employees June 30
2,986 **up 10%**

A. G. Archibald
President and Chairman of the Board

July 28, 1972
Halifax, N.S.

Condensed Financial Position Statement

	As at June 30 *1972 $	1971 $
Telephone plant	**213,974,739**	195,312,072
Accumulated depreciation	**55,074,772**	48,612,681
Investments	**3,799,049**	3,352,977
Current assets	**12,380,004**	9,023,293
Deferred charges	**1,473,929**	1,211,216
Shareholders' equity - preferred	**10,500,000**	1,500,000
- common	**72,012,473**	68,545,742
Long-term debt - first mortgage bonds	**68,000,000**	68,000,000
- bank and other notes	—	1,100,000
Current liabilities	**4,715,053**	3,990,690
Deferred credits	**21,325,423**	17,150,445

Interim Income Statement

	Six Months Ended June 30 *1972 $	1971 $	Twelve Months Ended June 30 *1972 $	1971 $
Operating revenues	**26,412,026**	23,297,641	**51,439,168**	46,180,384
Operating expenses and other taxes	**17,351,571**	14,841,053	**33,387,074**	28,995,334
	9,060,455	8,456,588	**18,052,094**	17,185,050
Income from subsidiary	**171,085**	144,606	**344,694**	228,681
Other income	**188,933**	243,578	**302,449**	509,828
Income before interest and income taxes	**9,420,473**	8,844,772	**18,699,237**	17,923,559
Interest	**2,385,235**	2,177,835	**4,781,643**	4,176,447
	7,035,238	6,666,937	**13,917,594**	13,747,112
Income taxes	**3,131,691**	3,245,073	**6,287,691**	6,760,676
Net income for period	**3,903,547**	3,421,864	**7,629,903**	6,986,436
Earnings per average common share	**.96**	.88	**1.91**	1.80
Average number of common shares outstanding	**3,882,785**	3,825,175	**3,882,509**	3,824,962

Provision for depreciation of plant acquired in 1971 and thereafter has been refined by developing straight-line rates within each annual group for sub-groups of units which are expected to have equal service lives. This refinement, together with changes in component depreciation rates, has been approved by the Board of Commissioners of Public Utilities of Nova Scotia and made effective January 1, 1972. The composite depreciation rate for six months ending June 30, 1972 was 5.4% compared to 5.1% for the same period 1971.

Source and Application of Working Capital

	Six Months Ended June 30 1972 $	1971 $
SOURCE OF WORKING CAPITAL		
Operating revenues and other income	**26,772,044**	23,685,825
Less charges to income requiring working capital	**16,865,784**	15,285,967
Working capital from operations	**9,906,260**	8,399,858
Other	**418,825**	808,869
Total internal source	**10,325,085**	9,208,727
Long-term debt, bank and short-term loans	—	13,000,000
Preferred stock issue	**9,000,000**	—
Employees' stock savings plan	**444,664**	380,709
	19,769,749	22,589,436
APPLICATION OF WORKING CAPITAL		
Construction program expenditures	**12,027,772**	9,870,913
Less charges not requiring working capital	**906,015**	955,408
	11,121,757	8,915,505
Redemption of long-term debt, bank and short-term loans	**4,150,000**	9,050,000
Dividends	**2,500,153**	2,347,610
Investments	**123,050**	246,000
Other	**382,906**	258,160
	18,277,866	20,817,275
INCREASE (DECREASE) IN WORKING CAPITAL	**1,491,883**	1,772,161

*Unaudited